

BINDURA UNIVERSITY OF SCIENCE EDUCATION

SFM 424: ANALYSIS OF FINANCIAL DATA

Time: 3 hours

Candidates may attempt ALL questions in Section A and at most two questions in Section B.
Each question should start on a fresh page.

Section A (40 marks)

Candidates may attempt ALL questions being careful to number them A1 to A4.

A1. Following information relates to the sale of groundnuts by a farmer:

Variety	Quantity	Actual Price	Standard Price
Roxo 531	250 tons	\$400/ton	\$420/ton
Valencia	350 tons	\$680/ton	\$600/ton

Calculate the Sales price variance and interpret it providing possible explanations for the variance [10]

A2. a) Explain the three forms of financial ratios. [6]

b) Which ratios can be used to determine the creditworthiness of a firm. [4]

A3. Examine the four main types of financial analysis. [10]

A4. Discuss the use of financial ratios for forecasting and related techniques. [10]

Section B (60 marks)

Candidates may attempt two questions being careful to number them B5 to B7.

- B5.** a). Examine the types of common-sized analysis. [8]
b) Explain steps involved in the financial statements analysis framework. [12]
c) Discuss the importance of financial statement notes and supplementary information. [10]

B6. a)

Economic State	Probability	Asset A Return (%)	Asset B Return (%)
Boom	20%	22	6
Normal	55%	14	10
Recession	25%	7	12

Calculate for A and B

- i. Expected Return [4]
ii. Standard deviation [10]
iii. Covariance [6]
iv. Correlation coefficient [2]
- c) Define diversifiable and non-diversifiable risk and explain why an investor should expect to receive additional return for assuming systematic risk. [8]

B7. a) Discuss the major advantages and challenges of Historical simulation and Monte Carlo Simulation [20]

b) A company has the following financial information available:

Share capital in issue: 4 million ordinary shares at a par value of \$2.

Current dividend per share (just paid) 36c.

Current EPS 50c.

Current return earned on assets 40%

Current equity beta 1.2.

You also have the following market information:

Current market return 12%.

Risk-free rate 10%.

Find the market capitalization of the company.

[10]